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No.

In the Supreme Court

OF THE

United States

OCTOBER TERM, 1982

BRUCE A. KOCK,

Petitioner,

VS.

THE QUAKER OATS COMPANY, et al.,

Respondents.

Petition For A Writ Of Certiorari to the United States Court of Appeals for the Ninth Circuit

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QUESTIONS PRESENTED

1. Was Kock's invention on sale in this country more than one year prior to the date of his application for a patent in the United States?

2. Did the agreements between Kock, as the inventor, and Merry Manufacturing Company ("Merry") for the development of a new mechanical watch movement and the sale to Merry for testing and experimenting with a prototype under the terms of secrecy constitute a public use or sale within the meaning of 35 U.S.C. § 102(b)?

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The petitioner, Bruce A. Kock, respectfully prays that a writ of certiorari issue to review the judgment and opinion of the United States Court of Appeals for the Ninth Circuit entered in this proceeding on July 15, 1982.

OPINION BELOW

The majority opinion of the Court of Appeals and dissenting opinion are reported in 681 F.2d 649, and for convenience appear in the appendix hereto.

JURISDICTION

The judgment of the Court of Appeals for the Ninth Circuit was entered on July 15, 1982. A timely petition for

rehearing was denied on August 23, 1982, and this petition for certiorari was filed within ninety days of that date.

Jurisdiction of the case originally arose under the provisions of Title 35, Section 281 and Title 28, Section 1338, United States Code.

Jurisdiction over the appeal arose under the provisions of Title 28, Section 1291, United States Code.

Jurisdiction over this petition arises under the provisions of Title 28, Section 1254(1), United States Code.

PARTIES

The sole party plaintiff is Bruce A. Kock.

The parties defendant are:

Quaker Oats Co., a New Jersey corporation
Disney (Walt) Productions, a California corporation
F. W. Woolworth, Inc., a New York corporation
Marcor, a Delaware corporation
Dunbee-Combex-Marx, a British corporation
Aurora Products Co., a New York corporation
Louis A. Marx, an individual
GLJ Toy Co., a New York corporation
Lash Tamoran Distributors, a New York corporation
Emporium-Capwell Co., a California corporation
Sears Roebuck Co., a New York corporation
Long's Drug Stores, Inc., a California corporation

STATUTORY PROVISIONS INVOLVED

United States Code, Title 35, § 102(b), provides in part:

> "A person shall be entitled to a patent unless . . . (b) the invention was . . . in public use or on sale in this country, more than one year prior to the date of the application for a patent in the United States."

STATEMENT OF THE CASE

On September 15, 1966 Kock entered into a written letter agreement with Merry Manufacturing Company to develop a toy watch movement exclusively for and satisfactory to Merry. The performance requirements of the inventions were:

1. Keep time to 10% accuracy;
2. Make noise or tick when running;
3. Run for one hour or more per winding;
4. Have resettable hands;
5. Easy assembly.

In addition, the commercial (cost) requirements were:

6. Capable of production at Merry's normal profit level of 30%;
7. Cost of movement must complete watch to retail for $1.00, with 50% plus 10% discount to toy trade.

At the time of the letter agreement, Kock received $1,000.00 to cover a portion of the projected out-of-pocket costs to build the model.

Kock completed the model in approximately ninety days after September 15, 1966. On January 10, 1967 he described it in confidence to his patent attorney.

On April 28, 1967 he revealed the model for the first time to Merry for whom he had developed the movement under exclusive contract, and entered into a written contract with Merry. Although couched in terms of "sale", the model was delivered to Merry to be kept secret pursuant to the initial development letter agreement for experimental purposes and to determine whether it met Merry's performance and cost criteria.

Under the terms of the April 28, 1967 agreement, Merry for whom the watch had been exclusively developed, accepted the model for research and study, and Kock also continued to work on the invention's final form. At the time he intended to use a plastic liquid piston-cylinder in the power train, but the idea was not successful and the proposed change was abandoned. Under the manufacturing agreement executed contemporaneously with the delivery of the model to Merry, Merry paid Kock $1,500.00 to cover additional development costs and agreed to determine within ninety days thereafter whether the invention conformed to its criteria. Merry further agreed to report back to Kock all improvements and changes in design made by it as a result of its testing and experimentation. After a delay of more than ninety days, Merry accepted the invention, and paid Kock $1,800.00 as an advance against royalties to be earned from commercial sales and exploitation of the model. This payment was made long after the critical date.

The first public or trade sale of the invention was made by Merry during the quarter beginning April 13, 1970 and ending April 26, 1970, reported to Kock in his first royalty report.

The written agreement of April 28, 1967 further provided for the payment of a 3% royalty to Kock in the event Merry put the watch into production. Merry was to patent the watch in Kock's name at its sole cost. However, Kock was not satisfied with the patent application required to be submitted by Merry to him, and retained his own patent attorney to complete the application. Under the terms of the agreement, in such event, Kock reserved title to the invention and patent application.

The suit patent was duly filed in the Patent Office on May 2, 1968. The critical date is, therefore, May 2, 1967.

On these facts, which must be accepted as true, the District Court granted a summary judgment against petitioner, which was affirmed on appeal, with a dissenting opinion.

REASONS FOR GRANTING THE WRIT

The decision of the District Court was based on the court's misunderstanding of the holding in *Robbins v. Lawrence* (9th Cir.) 482 F.2d 426 (1973), which the court believed controlled this case. In granting summary judgment against petitioner, the District Court said that "a sale precludes any inquiry into the experimental nature of the sale unless the contract of sale contains an express or clearly implied condition, that the sale is made primarily for experimental use."

The foregoing reasoning was repudiated by the Court of Appeals, which nevertheless inconsistently affirmed the summary judgment. In rejecting the reasoning of the District Court, the Court of Appeals said:

> "In this case, the affidavits of the inventor in opposition to summary judgment stated that:
>
> 'When I sold the prototype to Merry, it was for research and study. We did not know at the time that the protoype would be in its final form. It was only after considerable study and work on my part, and research on Merry's part, that the prototype was adopted as the final form of the toy watch that would be offered for sale to the public.'
>
> This would support the view that Kock's purpose in transferring the invention to Merry was to see if the invention could be improved, or if it was worth patenting in its present form."

The Court of Appeals, however, affirmed the judgment on the grounds that regardless of the purpose of the "sale", Merry had the right of immediate commercial exploitation, and thus the transaction between Kock and Merry was a public sale. This issue was neither urged, briefed nor argued by any party, and as we shall demonstrate is unsupported by and in conflict with decisions in most of the circuits, and requires a decision by this court to secure uniformity.

The decision in this case, if it is allowed to remain the law, will discourage and frustrate an independent inventor who seeks to market his invention, test its merits and reap the rewards of his invention.

Whether a sale has an experimental purpose depends on the totality of evidence presented by the parties to the transaction, the nature of the acts performed prior to the contract date, and the motivation therefor. *Cataphote Corporation v. DeSoto Chemical Coatings, Inc.* (9th Cir.) 356 F.2d 24, 26, cert. denied, 385 U.S. 832 (1966). These factors include the following:

(a) conditions placed on sale, *Robbins v. Lawrence* (9th Cir.) 482 F.2d 426, 432;

(b) requirement for further product testing, *Amerio Contact Plate Freezers, Inc. v. Belt-Ice Corp.* (9th Cir.) 316 F.2d 459, 464, cert. denied, 373 U.S. 902 (1963);

(c) inventor's intent that transfer be for experimentation, *In Re. Yarn Processing Patent Validity Litigation* (5th Cir.) 498 F.2d 271, 288, cert. denied, 419 U.S. 1057 (1974);

(d) requirement of confidentiality, *Ajem Laboratories, Inc. v. C. M. Ladd* (6th Cir.) 424 F.2d 1124, 1125-6, cert. denied, 400 U.S. 830 (1970);

(e) further experimentation on the invention, *Del Mar Engineering v. Physio-tronics* (9th Cir.) 642 F.2d 1167, 1169;

(f) commercial motive secondary to the experimental or testing motive, *Pickering v. Holman* (9th Cir.) 459 F.2d 403;

(g) reports to the inventor on transferee's use or test of the invention, *Robbins v. Lawrence, supra.*

All of these factors existed in this case. The April 28th agreement required Merry to notify Kock of all improvements and design changes and secure his approval of the patent application. The transfer mandated secrecy. The product, an unmarketable prototype, had not been tested to verify that it was operable and commercially marketable. Merry had ninety days to test the product, and accept it for commercial production. The transfer was to test the feasibility of commercial production, and to improve the invention. The payments received by Kock merely reimbursed him for a portion of his out-of-pocket expenses and were incidental. Kock received no purchase price, only reimbursement for some expenses, and an advance royalty to be earned if the invention were commercially produced and the product sold to the public. What Kock received was minor compared to the eventual profits he hoped to gain from royalties generated by the sale of the actual product.

The invention was created exclusively for Merry to meet its specific requirements and criteria. Merry and Kock constituted a production entity. Any transfer within such entity does not constitute a sale under Section 102(b). *Baker-Commack Hosiery Mills, Inc. v. Davis Co.* (4th Cir.) 181 F.2d 550, 558, cert. denied, 340 U.S. 824 (1950); *Jack*

Winter, Inc. v. Koratron Company, Inc. (N.D. Cal. 1974) 375 F.Supp. 1, Supp. Ob. 409 F.Supp. 1019 (1976).

Moreover, Kock was required to act as a consultant during Merry's ninety-day testing period, and to furnish additional prototypes if required.

There was no unconditional sale of the invention or prototype to Merry, nor did the transaction create any opportunity for public use.

Merry did not accept the movement for commercial production for more than ninety days after it was delivered to Merry, until Merry had completely tested it. Kock applied for a patent within one year of that date.

The majority opinion is based upon an asserted principle of law which misinterprets a decision of this court.

The majority states:

> "[i]t is not, however, enough that an inventor demonstrates by objective evidence that further experiment was necessary and was in fact performed by the transferee. To avoid the on-sale bar, the inventor must further show that the transferee lacked authority to use and invention or exploit its commercial value."

In enunciating this rule, the majority relied most heavily on the classic and leading case of *City of Elizabeth v. American Nicholson Pavement Co.*, 97 U.S. 126 (1878) which the majority interprets to hold "that tests made by one other than the inventor must be under his direction if there is to be an experimental purpose."

The foregoing, we respectfully submit, is an inaccurate reading of *City of Elizabeth*, and if allowed to stand, will undermine the law of patents painstakingly established in a multitude of decisions to protect and encourage inventions.

The court in *City of Elizabeth* simply noted that when experiments are under the inventor's direction, no public use occurs. It does not logically follow that where experiments are outside the inventor's direction, that a public use necessarily occurs. In fact, such a rule would be unrealistic and impractical, especially where an independent and impecunious inventor seeks the aid of a well-financed organization, with its own superior testing facilities, to develop and exploit his invention. Since most contracts between independent inventors and companies with their own testing laboratories provide for the right to test an invention without let or interference from the inventor, every such transaction would, under the majority's interpretation, be a public sale. Patent laws to protect the inventor would be undermined and subverted. American ingenuity would be unfairly penalized. Industrial innovation and technology are responsible for 23 percent of all new jobs. Winning technologies should, therefore, become the chief focus of state and federal administrative, legislative and judicial policies to encourage innovation and invention by strengthening patent policies, not weakening or destroying them.

CONCLUSION

For all of the foregoing reasons, a writ of certiorari should issue to review the judgment and opinion of the Ninth Circuit.

Respectfully submitted,

SIDNEY F. DEGOFF
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November , 1982

(Appendix follows)